



**PENN NATIONAL
INSURANCE**

Pennsylvania National Mutual Casualty Insurance Company
Penn National Security Insurance Company
P.O. Box 2361 • Harrisburg, PA 17105-2361

BUSINESSOWNERS DECLARATIONS

RENEWAL OF BP9 0618024

THIS POLICY IS SUBJECT TO A GENERAL AGGREGATE LIMIT

POLICY NUMBER	POLICY PERIOD FROM TO		COVERAGE IS PROVIDED IN	AGENCY
BP9 0618024	10/21/07	10/21/08	PA NATIONAL MUTUAL CAS INS CO	8046
NAMED INSURED AND ADDRESS			AGENCY	
STONEY CREEK FIREPLACE AND GRILL 318 MIDLAND SOMERVILLE TN 38068			PAGE CHAFFIN RIGGINS INS 8122 WALNUT RUN CORDOVA TN 38018	

POLICY PERIOD: POLICY COVERS FROM: 12:01 A.M. STANDARD TIME AT THE ADDRESS OF THE INSURED STATED ABOVE.
FORM OF BUSINESS: LIMITED LIABILITY CORPORATION BUSINESS DESCRIPTION: BUILDING MATERIALS DISTRIBUTOR

IN RETURN FOR PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

LIABILITY AND MEDICAL EXPENSES

Liability and Medical Expenses
Medical Expenses
Fire Legal Liability

LIMITS OF INSURANCE

\$1,000,000 Per Occurrence
\$5,000 Per Person
\$50,000 Any One Fire or Explosion

Business Income - Actual Business Loss Sustained, at Described Premises, not exceeding 12 consecutive months.

PROPERTY DEDUCTIBLE: SEE PREMISES INFORMATION

DESCRIPTION OF PREMISES AND COVERAGES PROVIDED

INSURANCE AT THE DESCRIBED PREMISES APPLIES ONLY FOR THE COVERAGES SHOWN:

PREMISES NO. 1 318 MIDLAND
SOMERVILLE TN 38068

PROPERTY DEDUCTIBLE: \$500

BUILDING NO. 1
CONSTRUCTION: FRAME
DESCRIPTION: APPLIANCE DISTRIBUTORS - HOUSEHOLD TYPE

PROTECTION CLASS: 05

COVERAGE: YOUR BUSINESS PERSONAL PROPERTY
LIMIT OF INSURANCE: \$25,000

REPLACEMENT COST

A Certified true and exact copy of policy

number BP90618024

Derry Early
(name)

Underwriting Manager
(official title)

TOTAL ADVANCED PREMIUM \$486.00

FORMS APPLICABLE TO THIS COVERAGE PART:

SEE ATTACHED FORMS SCHEDULE, FORM 710808

DIRECT BILL

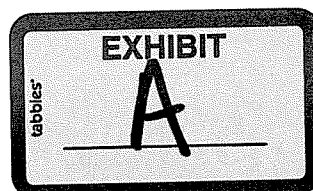
COUNTERSIGNED BY:

Authorized Representative

THESE DECLARATIONS TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE PART COVERAGE FORM(S), AND FORMS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBERED POLICY.

71 0502 0801

ISSUED 09/11/07



ENDORSEMENT SCHEDULE

POLICY NUMBER	POLICY PERIOD		COVERAGE IS PROVIDED IN	AGENCY
	FROM	TO		
BP9 0618024	10/21/07	10/21/08	PA NATIONAL MUTUAL CAS INS CO	8046

710442 07/96 IMPORTANT BILLING INFORMATION
 710477 05/93 MULTI PURPOSE JACKET
 710544 12/93 EXCLUSION - LEAD CONTAMINATION
 710880 07/02 EQUIPMENT BREAKDOWN COVERAGE
 711016 07/03 BUSINESSOWNERS ASBESTOS POLICYHOLDER NOTICE
 711021 01/03 BUSINESSOWNERS ASBESTOS EXCLUSION (OTHER THAN PA & NC)
 711027 05/07 BUSINESSOWNERS PENN PAC PLUS
 711030 01/03 LIMITED FUNGI OR BACTERIA COVERAGE (PROPERTY)
 711031 01/03 FUNGI OR BACTERIA EXCLUSION (LIABILITY)
 711061 02/03 TERRORISM DISCLOSURE NOTICE
 711150 01/07 NOTICE TO POLICYHOLDERS
 711261 07/06 BUSINESSOWNERS LIABILITY COVERAGE AMENDMENT
 711286 01/07 IMPORTANT NOTICE
 711289 05/07 DEBRIS REMOVAL AMENDATORY ENDORSEMENT
 711294 05/07 EXCLUSION OF LOSS DUE TO VIRUS OR BACTERIA
 711295 05/07 POLICYHOLDER NOTICE - EXCLUSION OF LOSS DUE TO VIRUS
 BP0002 12/99 BUSINESSOWNERS SPECIAL PROPERTY COVERAGE FORM
 BP0006 01/97 BUSINESSOWNERS LIABILITY COVERAGE FORM
 BP0009 01/97 BUSINESSOWNERS COMMON POLICY CONDITIONS
 BP0202 02/96 TENNESSEE CHANGES - CANCELLATION AND NONRENEWAL
 BP0417 01/96 EMPLOYEE RELATED PRACTICES EXCLUSION
 BP0418 06/89 AMENDMENT LIQUOR LIABILITY EXCLUSION
 BP0439 01/96 ABUSE OR MOLESTATION EXCLUSION
 BP0496 10/01 PREMIUM AUDIT ENDORSEMENT
 BP0514 01/03 WAR LIABILITY EXCLUSION
 BP0523 11/02 CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM
 BP0542 11/02 EXCLUSION OF PUNITIVE DAMAGES RELATED TO A CERTIFIED ACT
 BP0564 01/07 CONDITIONAL EXCLUSION OF TERRORISM
 BP1004 04/98 EXCLUSION OF CERTAIN COMPUTER
 BP1006 09/98 EXCLUSION YR 2000 LOSSES



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**IMPORTANT NOTICE
BILLING INFORMATION**

This policy is written on a direct bill basis. You will receive all invoices from us under separate cover.

If you have more than one commercial policy written by Penn National Insurance, they can be combined into one billing plan. If this has not been done for you, please contact your agent for details.

There will be times when changes are made to your policy. When this happens we will calculate the additional or return premium and spread the change in premium equally over the remaining installments.

You will receive a premium invoice approximately (20) twenty days prior to the due date. If your premium payment is not received by the due date shown on the invoice, we will send a Notice of Cancellation. If premium is not paid by the cancellation date all coverages will terminate. Repetitive notices of cancellation for non-payment of premium may result in your pay plan being converted to a prepaid (no installment) basis.

While it is our desire to keep our invoices simple and easy to read, questions may arise on your billings. When you have billing questions, please call us at 1-800-388-4764 extension 2441 for our Commercial Lines Automated Response Attendant (CLARA). CLARA will be able to answer all 'basic billing' questions. If more detailed information is needed, you may press the (*) star key at any time during your call which will connect you with one of our customer service representatives.

Thank you for choosing Penn National Insurance, we appreciate your business. Please let us know how we are doing.



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THIS POLICY JACKET WITH THE INFORMATION PAGE, POLICY, FORMS AND ENDORSEMENTS, IF ANY,
ISSUED TO FORM A PART THEREOF, COMPLETES THIS POLICY.

MUTUAL POLICY CONDITIONS

THIS POLICY IS NON-ASSESSABLE. THE POLICYHOLDER IS A MEMBER OF THE COMPANY AND SHALL PARTICIPATE TO THE EXTENT AND UPON THE CONDITIONS FIXED AND DETERMINED BY THE BOARD OF DIRECTORS IN ACCORDANCE WITH THE PROVISIONS OF LAW, IN THE DISTRIBUTION OF DIVIDENDS SO FIXED AND DETERMINED.

ANNUAL MEETING

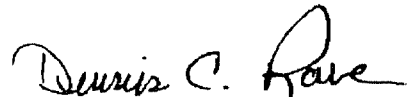
THE INSURED IS HEREBY NOTIFIED THAT BY VIRTUE OF THIS POLICY, HE IS A MEMBER OF THE PENNSYLVANIA NATIONAL MUTUAL CASUALTY INSURANCE COMPANY AND IS ENTITLED TO VOTE EITHER IN PERSON OR BY PROXY AT ANY AND ALL MEETINGS OF SAID COMPANY. THE ANNUAL MEETINGS OF THE COMPANY ARE HELD AT ITS HOME OFFICE IN THE CITY OF HARRISBURG, PA. ON THE SECOND MONDAY OF APRIL IN EACH YEAR, AT 10:00 O'CLOCK A.M., AND THE INCLUSION OF THIS NOTICE IN THIS POLICY SHALL CONSTITUTE NOTICE TO THE MEMBER OF THE ANNUAL MEETING.

IN WITNESS WHEREOF, The company has caused this policy to be signed by its president and secretary but this policy shall not be valid unless completed by the attachment hereto of a Declaration Page, Policy or Coverage Part(s) and Endorsements, if any, and countersigned on the aforesaid declarations page by a duly authorized representative of the company.

VIRGINIA EXCEPTION

Lack of countersignature does not invalidate the policy.

 Secretary

 President



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This endorsement modifies insurance provided under the following:

BUSINESSOWNERS LIABILITY COVERAGE FORM.

COVERAGE 1. BUSINESS LIABILITY

COVERAGE 2. MEDICAL EXPENSES

EXCLUSION - LEAD CONTAMINATION

This insurance does not apply to:

1. "Bodily Injury", "property damage", "advertising injury", or "personal injury" which would not have occurred in whole or part but for the actual, alleged, or threatened ingestion, inhalation, absorption, dispersal, disposal, seepage, migration, release, or escape of lead in any form at any time.
2. Any loss, cost, or expense arising out of any:
 - a. request, demand, or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to or assess the effects of lead; or
 - b. claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, or neutralizing, or in any way responding to, or assessing the effects of lead.


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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EQUIPMENT BREAKDOWN COVERAGE

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS SPECIAL PROPERTY COVERAGE FORM

The following is added to 5. Additional Coverages of the Businessowners Special Property Coverage Form.

Equipment Breakdown

1. We will pay for loss caused by or resulting from an "Accident" to "covered equipment". As used in this Additional Coverage, an "Accident" means direct physical loss as follows:

- (a) mechanical breakdown, including rupture or bursting caused by centrifugal force;
- (b) artificially generated electric current, including electric arcing, that disturbs electrical devices, appliances or wires;
- (c) explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control;
- (d) loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
- (e) loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.

If an initial "Accident" causes other "Accidents", all will be considered one "Accident". All "Accidents" that are the result of the same event will be considered one "Accident".

"Covered equipment" means Covered Property built to operate under vacuum or pressure, other than weight of contents, or used for the generation, transmission or utilization of energy.

2. The following coverages also apply to loss caused by or resulting from an "Accident" to "covered equipment". These coverages do not provide additional amounts of insurance.

(a) Expediting Expenses

With respect to your damaged Covered Property, we will pay, up to \$50,000, the reasonable extra cost to:

- (i) make temporary repairs; and
- (ii) expedite permanent repairs or permanent replacement.

(b) Hazardous Substances

We will pay for the additional cost to repair or replace Covered Property because of contamination by a "hazardous substance". This includes the additional costs to clean up or dispose of such property.

"Hazardous substance" means any substance other than ammonia that has been declared to be hazardous to health by a governmental agency. Additional costs mean those beyond what would have been required had no "hazardous substance" been involved.

The most we will pay for loss or damage under this coverage, including actual loss of Business Income you sustain, necessary Extra Expense you incur and loss under Perishable Goods coverage, is \$50,000.

(c) Perishable Goods

- (i) We will pay for your loss of "perishable goods" due to spoilage.
- (ii) We will also pay for your loss of "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia.
- (iii) We will also pay any necessary expenses you incur to reduce the amount of loss under this coverage. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.
- (iv) If you are unable to replace the "perishable goods" before its anticipated sale, the amount of our payment will be determined on the basis of the sales price of the "perishable goods" at the time of the "Accident", less discounts and expenses you otherwise would have had. Otherwise, our payment will be determined in accordance with the Loss Payment condition.
- (v) Additional Definition. For the purpose of this coverage, "perishable goods" means personal property maintained under controlled conditions for its preservation, and susceptible to loss or damage if the controlled conditions change.

The most we will pay for loss or damage under this coverage is \$50,000.

(d) CFC Refrigerants

We will pay for the additional cost to repair or replace Covered Property because of the use or presence of a refrigerant containing CFC (chlorofluorocarbon) substances. This means the additional cost to do the least expensive of the following:

- (i) Repair the damaged property and replace any lost CFC refrigerant;
- (ii) Repair the damaged property, retrofit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
- (iii) Replace the system with one using a non-CFC refrigerant.

Additional costs mean those beyond what would have been required had no CFC refrigerant been involved.

The most we will pay for loss or damage under this coverage, including actual loss of Business Income you sustain, necessary Extra Expense you incur and loss under Perishable Goods coverage, is \$50,000.

(e) Service Interruption

The insurance provided for Business Income, Extra Expense and Perishable Goods is extended to apply to loss caused by or resulting from an "Accident" to equipment that is owned by a utility, landlord, or other supplier with whom you have a contract to provide you with any of the following services: electrical power, communications, waste disposal, air conditioning, refrigeration, heating, gas, air, water or steam.

3. Exclusions

(a) All exclusions and limitations apply except:

- (i) Exclusions B.2.a., B.2.d. and B.2.k.(6); and
- (ii) Limitations A.4.a.(1) and A.4.a.(2).

(b) The exclusions are modified as follows:

- (i) The following is added to Exclusion B.1.g.:
However, if electrical "covered equipment" requires drying out because of the above, we will pay for the direct expenses of such drying out subject to the applicable Limit of Insurance and deductible for Building or Business Personal Property, whichever applies.
- (ii) As respects this endorsement only, the last paragraph of Exclusion B.2.k. is deleted and replaced with the following:
But if an excluded cause of loss that is listed in B.2.k.(1) through B.2.k.(7) results in an "Accident", we will pay for the loss or damage caused by that "Accident".

(c) None of the following is "covered equipment":

- (i) structure, foundation, cabinet, compartment or air supported structure or building;
- (ii) insulating or refractory material;
- (iii) sewer piping, underground vessels or piping, or piping forming a part of a sprinkler system;

- (iv) water piping other than boiler feedwater piping, boiler condensate return piping or water piping forming a part of a refrigerating or air conditioning system;
 - (v) vehicle, dragline, excavation equipment or construction equipment;
 - (vi) However, any property that is stationary, permanently installed at a covered location and that receives electrical power from an external power supplier will not be considered a vehicle.
 - (vii) equipment manufactured by you for sale; or
 - (viii) electronic data processing equipment, unless used to control or operate "covered equipment." Electronic data processing equipment includes programmable electronic equipment that is used to store, retrieve and process data; and associated peripheral equipment.
- (d) We will not pay under this endorsement for loss or damage caused by or resulting from:
- (i) your failure to use all reasonable means to protect the "perishable goods" from damage following an "Accident"; or
 - (ii) any of the following tests:
 - a hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel; or
 - an insulation breakdown test of any type of electrical equipment.
- (e) With respect to Service Interruption coverage and Perishable Goods coverage, we will also not pay for loss or damage caused by or resulting from: fire; lightning; windstorm or hail; explosion (except for steam or centrifugal explosion); smoke; aircraft or vehicles; riot or civil commotion; vandalism; sprinkler leakage; falling objects; weight of snow, ice or sleet; freezing or collapse.

4. Conditions

(a) Suspension

When any "covered equipment" is found to be in, or exposed to a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "Accident" to that "covered equipment". We can do this by mailing or delivering a written notice of suspension to your address as shown in the Declarations, or at the address where the equipment is located. Once suspended in this way, your insurance can be reinstated only by an endorsement for that "covered equipment". If we suspend your insurance, you will get a pro rata refund of premium. But the suspension will be effective even if we have not yet made or offered a refund.

(b) Jurisdictional Inspections

If any property that is "covered equipment" under this endorsement requires inspection to comply with state or municipal boiler and pressure vessel regulations, we agree to perform such inspection on your behalf.

(c) Environmental, Safety and Efficiency Improvements

If "covered equipment" requires replacement due to an "accident", we will pay your additional cost to replace with equipment that is better for the environment, safer or more efficient than the equipment being replaced.

However, we will not pay more than 125% of what the cost would have been to repair or replace with like kind and quality. This condition does not increase any of the applicable limits. This condition does not apply to any property to which Actual Cash Value applies.

The most we will pay for loss or damage under this endorsement is the applicable Limit of Insurance shown in the Declarations. Coverage provided under this endorsement does not provide an additional amount of insurance.



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**NOTICE TO POLICYHOLDERS
RESTRICTIONS OF COVERAGE**

This notice applies to Insurance provided under the following:

BUSINESSOWNERS LIABILITY COVERAGE FORM

No coverage is provided by this policyholder notice nor can it be construed to replace any provisions of your policy. You should read your policy and review your declarations page for complete information on the coverages you are provided. If there is any conflict between the policy and this notice, the provisions of the policy shall prevail.

Please read your policy, and the endorsements attached to your policy, carefully.

**711022 0703 (PA); 711023 0703(NC); 711021 0103- ASBESTOS ENDORSEMENT
(EXCLUSION)**

When these endorsements (exclusions) are attached to your policy:

Coverage will not apply for any liability arising out of the inhalation, ingestion, prolonged physical exposure, use, removal, manufacture, transportation, storage or disposal of asbestos or goods or products containing asbestos.



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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

The BUSINESSOWNERS LIABILITY COVERAGE FORM is amended as follows:

**ASBESTOS ENDORSEMENT
(EXCLUSION)**

In consideration of the premium paid and notwithstanding anything contained in this policy to the contrary, it is agreed as follows:

The coverage afforded by this policy does not apply to "bodily injury," "personal and advertising injury," or "property damage" arising out of:

- 1) Inhaling, ingesting or prolonged physical exposure to asbestos or goods or products containing asbestos; or
- 2) The use of asbestos in constructing or manufacturing any good, product or structure; or
- 3) The removal of asbestos from any good, product or structure; or
- 4) The manufacture, transportation, storage or disposal of asbestos or goods or products containing asbestos.

The coverage afforded by this policy does not apply to payment for the investigation or defense of any loss, injury or damage or any cost, fine or penalty or for any expense or claim or suit related to any of the above.


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**BUSINESSOWNERS
PENNPAC PLUS ENDORSEMENT**

This endorsement modifies insurance provided under the following:

**BUSINESSOWNERS SPECIAL PROPERTY COVERAGE FORM
BUSINESSOWNERS LIABILITY COVERAGE FORM**

**THE BUSINESSOWNERS SPECIAL PROPERTY
COVERAGE FORM IS AMENDED AS FOLLOWS:**

I. COVERAGE

A. Described Premises Distance Extension

1. All references to distance from or within the described premises are increased from "100 feet" to read "1,000 feet" for the following:
 - a. Section A.1. Covered Property
 - b. Section A.5.f. Business Income
 - c. Section A.5.g. Extra Expense
 - d. Section A.6. Coverage Extensions

B. Amended Limits

The amount we pay provisions in items 5. Additional Coverages and 6. Coverage Extensions are amended as follows:

1. **Fire Department Service Charge**
In paragraph A.5.c. of the Additional Coverages, the amount we will pay is increased to \$2,500.
2. **Money Orders And Counterfeit Paper Currency**
In paragraph A.5.j. of the Additional Coverages, the most we will pay is increased to \$10,000.
3. **Forgery and Alteration**
In paragraph A.5.k.(3) of the Additional Coverages, the most we will pay is increased to \$10,000, unless a higher limit is shown on the Declarations.
4. **Personal Property Off Premises**
In paragraph A.6.b. of the Coverage Extensions, the most we will pay is increased to \$25,000.
5. **Personal Effects**
In paragraph A.6.d.(2) of the Coverage Extensions, the most we will pay is increased to \$5,000.

6. "Valuable Papers and Records"

In paragraph A.6.e.(3) of the Coverage Extensions, the most we will pay for loss or damage to "Valuable Papers and Records" in any one occurrence at the described premises is increased to \$30,000, unless a higher Limit of Insurance for "Valuable Papers and Records" at the described premises is shown in the Declarations.

For "Valuable Papers and Records" not at the described premises, the most we will pay is \$15,000.

7. Accounts Receivable

In paragraph A.6.f.(2) of the Coverage Extensions, the most we will pay for loss or damage in any one occurrence at the described premises is increased to \$30,000, unless a higher Limit of Insurance for accounts receivable is shown in the Declarations.

For accounts receivable not at the described premises, the most we will pay is \$15,000.

II. ADDITIONAL COVERAGES

- A. Section A.5.f.(1) Business Income** is amended as follows:

f. Business Income

The 60 day limitation for ordinary payroll expenses following the date of direct physical loss or damage does not apply.

- B. Section A.5.l. Increased Cost of Construction**, is deleted and replaced by the following:

1. Ordinance or Law Coverages

If a Covered Cause of Loss occurs to covered Building property, we will pay for:

- (1) The loss in value of the undamaged portion of the building as a consequence of enforcement of any ordinance or law that:
 - (a) Requires the demolition of parts of the same property not damaged by a Covered Cause of Loss;
 - (b) Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
 - (c) Is in force at the time of loss.
 - (2) The cost to demolish and clear the site of undamaged parts of the property caused by enforcement of building, zoning or land use ordinance or law.
 - (3) The increased cost to repair or reconstruct damaged portions of that Building property and/or reconstruct or remodel undamaged portions of that Building property, whether or not demolition is required when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law. This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property unless such occupancy is not permitted by zoning or land use ordinance or law.
 - (4) We will not pay for the increased cost of construction until the building is actually repaired, reconstructed or remodeled and unless the repairs or replacement are made as soon as reasonably possible after the loss, not to exceed two years.
 - (5) Under this coverage, we will not pay for the enforcement of any ordinance or law which requires demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot or bacteria.
 - (6) We will not pay for the costs associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungi", wet or dry rot or bacteria.
 - (7) If the Building property is repaired or replaced at the same premises, we will pay the lesser of:
 - (a) The amount you actually spend to demolish and clear the site of the described premises, plus the amount you actually spend to repair, rebuild or reconstruct the property but not for more than buildings of the same height, floor area, and style; or
 - (b) \$50,000 in any one occurrence, unless a higher limit is shown in the Declarations.
 - (8) If the Building property is not repaired or replaced, we will pay the lesser of:
 - (a) The amount you actually spend to demolish and clear the site of the described premises, plus the cost to replace the damaged or destroyed property with other property:
 - (i) of like kind, and quality
 - (ii) of the same height, floor area, and style; and
 - (iii) used for the same purpose; or
 - (iv) \$50,000 in any one occurrence, unless a higher limit is shown in the Declarations.

Exclusion B.1.a. does not apply to this Additional Coverage.
- C. Section A.5.m Exterior Building Glass subparagraph (4), is deleted and replaced by the following:
- (4) The most we pay under this Additional Coverage is the Building Limit of Insurance shown in the Declarations.
- However, if you are a tenant and no Limit of Insurance is shown in the Declarations for Building property, the most we will pay for Tenant's Exterior Glass under this Additional Coverage is \$5,000, plus the Limit of Insurance shown in the Declarations for Tenant's Exterior Glass.
- D. The following Coverages are added to A.5. Additional Coverages
- n. Back Up of Sewers and Drains
 - (1) We will pay for loss or damage to Covered Property caused by a back up from a sewer or drain or an overflow from a sump within a building at the described premises provided:

- (a) the back up or overflow is not expected or intended from your standpoint and
- (b) the expenses must be reported to us in writing no later than 90 days after the occurrence.
- (2) The most we will pay for each location under this Additional Coverage is \$15,000 for the sum of all expenses arising from back up or overflow during each 12 month period of this policy.
- (3) Deductible
We will not pay for loss or damage in any one Occurrence until the amount of the loss or damage exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible up to the limit indicated above.
- (4) Exclusion B.1.g.(3) does not apply to this Additional Coverage.
- o. **Fire Protection Device Recharge**
When the fire protective devices that are permanently installed in buildings at the described premises have been discharged to save or protect a covered property from a Covered Cause of Loss, we will pay up to \$5,000 to recharge or refill the fire protective devices.
- p. **Special Form Computer Coverage**
 - (1) Limit of Insurance
The most we will pay for loss or damage under this Additional Coverage is as follows:
 - (a) \$20,000 for "Electronic Data Processing Equipment" (Hardware)
 - (b) \$5,000 for "Electronic Media and Records" (including Software)
 - (c) \$10,000 for laptop computers and cell phones while away from any of your described premises. Coverage is provided on a worldwide basis, including while in transit, or temporarily at your home or at premises you do not own, lease, or operate;
 unless a higher limit is shown in the Supplemental Declarations.
- (2) The following is added to Paragraph A.2. **Property Not Covered:**
 - g. Property in storage away from the premises shown in the Declarations, except as provided in the Coverage Extensions of this Additional Coverage.
 - h. "Electronic Data Processing Equipment" which is permanently installed or designed to be permanently installed in any aircraft, watercraft, motor truck, or other vehicle subject to motor vehicle registration; or
 - i. Accounts, bills, evidences of debt and valuable papers and records. However, such property is Covered Property in its "converted data" form.
- (3) Under A.4. Limitations, paragraph a.(1) and (2) do not apply.
- (4) Under Coverage Extension A.6.b., Personal Property Off Premises applies to "Electronic Data Processing Equipment" and "Electronic Media and Records" including duplicate or back-up "Electronic Media and Records" while in the course of transit or that are stored at a separate location which is at least 1,000 feet from the premises described in the Declarations.
- (5) The following are added to A.6. Coverage Extensions:
 - g. **Computer Coverage Additional Perils**
We will pay for loss or damage to "Electronic Data Processing Equipment" and "Electronic Media and Records" due to;
 - (1) Mechanical Breakdown;
 - (2) Artificially generated electrical current if such loss or damage is caused by or occurs from:
 - a. An occurrence that took place within 1,000 feet of the described premises; or
 - b. Interruption of electrical power supply, power surge, blackout or brownout if the cause of such occurrence took place within 1,000 feet of the described premises.

(6) The following is added to Paragraph B.
Exclusions:

- a. The following exclusions do not apply to coverage provided under this Additional Coverage:

B.1.e. Power Failure, B.2.a. Electrical Apparatus, B.2.c. Smoke, B.2.d. Steam Apparatus, B.2.i. Collapse, B.2.k.(3), (4), and (5) Other Types of Loss Exclusions and B.3.b. Acts or Decisions.

(7) Exclusion B.2.k.(7) is replaced by the following:

- (a) Dampness or dryness of atmosphere or changes in or extremes of temperature, unless such conditions result from physical damage caused by a covered cause of loss to an air conditioning unit or system, including equipment and parts, which is part of, or used with the "Electronic Data Processing Equipment".

(b) Marring or scratching:

But if an excluded cause of loss that is listed in B.2.k.(1),(2),(6) or (7) results in a "specified cause of loss" or building glass breakage, we will pay for the loss or damage caused by that "specified cause of loss" or building glass breakage.

(8) **Additional Exclusions**

The following exclusions apply in addition to the exclusions listed under B.
Exclusions:

6. We will not pay for loss or damage caused by or resulting from any of the following:

- (a) Human errors or omissions in processing, recording or storing information on "Electronic Media and Records" and "Electronic Data Processing Equipment".

But we will pay for direct loss or damage caused by resulting fire or explosion if these causes of loss would be covered by this Additional Coverage.

- (b) Electrical or magnetic injury, disturbance or erasure of electronic recordings, except as provided for under the Coverage Extensions of this Additional Coverage.

But we will pay for direct loss or damage caused by lightning.

- (c) Failure, breakdown or malfunction of "Electronic Media and Records" and "Electronic Data Processing Equipment", including parts, while the media is being run through the equipment.

But, we will pay for direct loss or damage caused by resulting fire or explosion if these causes of loss are covered by this Additional Coverage.

- (d) Installation, testing, repair or other similar service performed upon the "Electronic Data Processing Media and Records" or "Electronic Data Processing Equipment", including parts.

(9) **Property Definitions**

A. The following are added to H. **Property Definitions:**

8. "Converted data" means information that is stored on electronic media, that is capable of being communicated, processed or interpreted by "Electronic Data Processing Equipment".

9. "Electronic Data Processing Equipment" (Hardware) means:

- a. Any programmable electronic equipment that is used to store, retrieve and process data; and
b. Any associated peripheral equipment that provides communication including input and output functions such as printing, or auxiliary functions such as data transmission;

10. "Electronic Media and Records" (Including Software) means:

- a. Electronic data processing, recording or storage media such as films, tapes, discs, drums or cells;
b. Data stored on such media; and
c. Programming records used for electronic data processing or electronically controlled equipment.

q. **Lock Replacement**

We will pay up to \$1,000 for the cost to replace your locks if your key(s) are lost or stolen.

We will not pay for the replacement of locks if you discharge an employee and you do not have the employee return their key(s).

r. Arson Rewards

We will pay up to \$5,000 as a reward to any person or persons, other than you or your officers, for information leading to an arson conviction in connection with a fire loss to the described premises. This is the most we will pay regardless of the number of persons who provided information.

s. Loss Data Preparation Costs

We will pay up to \$2,500 for reasonable costs you incur in preparing loss data required by policy conditions after a covered property loss. This includes the cost of taking inventory, making appraisals and preparing other data to determine the extent of your loss.

t. Brands and Labels

If branded or labeled merchandise that is Business Personal Property is damaged by a Covered Cause of Loss, we may take all or any part of the property at an agreed or appraised value. If so, you may extend the insurance that applies to Business Personal Property to pay expenses you incur to:

- (1) Stamp the word "salvage" on the merchandise or its containers, if the stamp will not physically damage the merchandise; or
- (2) Remove the brands or labels, if doing so will not physically damage the merchandise or its containers, and relabel the merchandise or its containers to comply with the law.

Payments under this Additional Coverage will not increase the applicable Limit of Insurance.

u. Business Income From Dependent Properties

- (1) We will pay for the actual loss of Business Income you sustain due to physical loss or damage at the premises of a dependent property caused by or resulting from a Covered Cause of Loss.

However, coverage under this endorsement does not apply when the only loss to dependent property is loss or damage to electronic data, including destruction or corruption of electronic data. If the dependent property sustains loss or damage to electronic data and other property, coverage under this Additional Coverage will not continue once the other property is repaired, rebuilt, or replaced.

The most we will pay under the Additional Coverage is \$10,000.

- (2) We will reduce the amount of your Business Income loss, other than Extra Expense, to the extent you can resume "operations", in whole or in part, by using any other available:
 - (a) Source of materials; or
 - (b) Outlet for your products.
- (3) If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible,
- (4) Dependent property means property owned by others whom you depend on to:
 - (a) Deliver materials or services to you, or to others for your account. But services does not mean water supply services; power supply services; or communication supply services, including services related to Internet access or access to any electronic network;
 - (b) Accept your products or services;
 - (c) Manufacture your products for delivery to your customers under contract for sale; or
 - (d) Attract customers to your business.

The dependent property must be located in the coverage territory of this policy.
- (5) The coverage period for Business Income under this Additional Coverage:
 - (a) Begins 72 hours after the time of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the premises of the dependent property; and
 - (b) Ends on the date when the property at the premises of the dependent property should be repaired, rebuilt or replaced with reasonable speed and similar quality.
- (6) The Business Income coverage period, as stated in Paragraph (5), does not include any increased period required due to the enforcement of any ordinance or law that:

(a) Regulates the construction, use or repair, or requires the tearing down of any property; or

(b) Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".

The expiration date of this policy will not reduce the Business Income coverage period.

(7) The definition of Business Income contained in the Business Income Additional Coverage A.5.f also applies to this Business Income From Dependent Properties Additional Coverage.

v. Storage Buildings, Garages and Other Appurtenant Structures

We will extend the insurance that applies to Buildings to apply to detached storage buildings and garages and other detached appurtenant structures not specifically described at each premises described in the Declarations. This extension of coverage does not apply to outdoor fixtures.

Under this Additional Coverage the most we will pay for loss or damage is \$5,000 at each premises described in the Declarations.

III. COVERAGE EXTENSIONS

A. Personal Property At Newly Acquired Premises, A.6.a. is deleted and replaced by the following:

a. Newly Acquired or Constructed Property

(1) Buildings

If this policy covers Buildings, you may extend that insurance to apply to:

(a) Your new buildings while being built on the described premises; and

(b) Buildings you acquire at locations, other than the described premises, intended for:

(i) Similar use as the building described in the Declarations; or

(ii) Use as a warehouse.

The most we will pay for loss or damage under this extension is \$1,000,000 at each building.

(2) Business Personal Property

If this policy covers Business Personal Property, you may extend that insurance to apply to:

(a) Business Personal Property including such property that you newly acquire, at any location you acquire

(b) Business Personal Property including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Declarations; or

(c) Business Personal Property that you newly acquire, located at the described premises.

This Extension does not apply to personal property that you temporarily acquire in the course of your wholesale activities.

The most we will pay for loss or damage under this extension is \$500,000 at each building.

(3) Business Income and Extra Expense

You may extend the insurance that applies to Business Income and Extra Expense to apply to newly acquired or constructed locations.

The most we will pay for loss or damage under this extension is \$250,000 at each building.

(4) Insurance under this Extension for each newly acquired or constructed property will end when any of the following first occurs:

(a) This policy expires;

(b) 90 days expire after you acquire or begin construction of that part of the building that would qualify as covered property; or

(c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

B. Coverage Extension A.6.c. Outdoor Property is deleted.

C. The following Coverage Extensions are added:

g. Outdoor Property - Fences

You may extend the insurance provided by this policy to apply to your outdoor fences, including debris removal expense, caused by or resulting from any of the Covered Causes of Loss.

The most we will pay for loss or damage under this Extension is \$15,000.

h. Outdoor Property - Other than Fences

You may extend the insurance provided by this policy to apply to your Outdoor Property (other than fences), including radio and television antennas (including satellite dishes), signs, (other than signs attached to buildings), trees, shrubs and plants, including debris removal expense, caused by or resulting from any of the Covered Causes of Loss.

The most we will pay for loss or damage under this Extension is \$10,000, but not more than \$1,000 for any one tree, shrub or plant.

i. Fine Arts

You may extend the insurance that applies to Business Personal Property to apply to paintings, etchings, pictures, tapestries, art glass windows and other bona fide works of art or articles of rarity, historical value or artistic merit that you own or are in your care, custody and control.

The most we will pay for loss or damage under this Extension is \$20,000 at each described premises.

The following exclusions do not apply to this coverage:

- (1) Exclusion B.1.b. Earth Movement
- (2) Exclusion B.1.g. Water

j. Salespersons Samples

You may extend the insurance that applies to Business Personal Property to apply to Salesperson's Samples, while more than 1,000 feet from the "described premises." This coverage applies to samples of goods or products you own while in the custody of a salesperson or any employee who travels with sales samples, including while in transit.

Salespersons Samples does not include:

- (1) Property that has been sold;
- (2) Property shipped by mail; or
- (3) Drugs, jewelry, costume jewelry, furs, fur garments or garments trimmed with fur.

The most we will pay for loss of or damage to property in the custody of any one salesperson or employee in any one occurrence is \$5,000.

The following exclusions do not apply to this coverage:

a. Exclusion B.1.b. Earth Movement**b. Exclusion B.2.c.(4) Settling, cracking, shrinking, expansion.****k. Seasonal Increase**

Limits of Insurance, C.5.(a) is deleted and replaced by the following:

- (a) The Limit of Insurance for Business Personal Property will automatically increase by 35% to provide for seasonal variations.

l. Loss Payment for Property of Others

Property Loss Conditions E.6.d.(3)(b) Property of Others is deleted from the list of property that is valued at actual cash value.

m. Extended Business Income

Extended Business Income, A.5.f.(2)(b)(iii), is amended from 30 to 60 days. This Coverage Extension is not subject to the Limits of Insurance.

IV. LIMITS OF INSURANCE

Paragraph C.3., Limits Of Insurance, is deleted and replaced by the following:

3. The limits applicable to the Coverage Extensions and the following Additional Coverages are in addition to the Limits Of Insurance:

- a. Arson Rewards
- b. Back Up of Sewers and Drains
- c. Business Income From Dependent Properties
- d. Employee Dishonesty
- e. Fine Arts
- f. Fire Department Service Charge
- g. Fire Protection Device Recharge
- h. Forgery and Alteration
- i. Lock Replacement
- j. Ordinance or Law Coverages
- k. Pollutant Clean Up and Removal

V. DEDUCTIBLES

The Optional Coverage/Exterior Building Glass Deductible referenced in subparagraph D.2. is \$500.

VI. PROPERTY LOSS CONDITIONS

Paragraph E.6.d Loss Payment is amended as follows:

1. Paragraph (1)(a) is replaced by the following:

- (1) At replacement cost without deduction for depreciation, subject to the following:

(a) We will pay the cost to repair or replace, after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:

(i) The Limit of Insurance that applies to the lost or damaged property;

(ii) The cost to replace, on the same premises, the lost or damaged property with other property:

a. Of comparable material and quality; and

b. Used for the same purpose; or

(iii) The amount that you actually spend that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost is limited to the cost which would have been incurred had the building been built at the original premises.

2. Paragraph (1)(b) does not apply.

B. Property Loss Conditions E.6. is amended to add:

h. Pairs, Sets, Loss to Parts

The value of a lost or damaged article which is part of a pair or set is based on a reasonable proportion of the value of the entire pair or set. The loss is not considered a total loss of the pair or set.

The value of a lost or damaged part of an item that consists of several parts when it is complete is based on the value of only the lost or damaged part or the cost to repair or replace it.

C. Paragraph d.(6) of the Loss Payment Property Loss Conditions does not apply to:

a. Paragraph E.6.d.(6) Loss Payment does not apply to "Electronic Media and Records" that are actually replaced or restored.

(1) "Electronic Data Processing Equipment" and "Electronic Media and Records", if the same equipment model and/or type of "Electronic Media and Records" have become obsolete we will replace them with property of similar quality, including property of greater processing capability.

VII. OPTIONAL COVERAGES

A. The first sentence under "Optional Coverages" is amended as follows:

If shown as applicable in the Declarations or if included in the Businessowners PennPac Plus Endorsement, the following Optional Coverages also apply.

B. The following Optional Coverages are amended:

1. Outdoor Signs

a. Paragraph G.1.d. Outdoor Signs is deleted and replaced by the following:

d. The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Outdoor Signs, shown in the Declarations or Schedule, or \$10,000, whichever is higher.

b. Paragraph G.1.e. is deleted.

2. Money And Securities

Paragraph G.3.c. Money and Securities is deleted and replaced by the following:

c. The most we will pay for loss in any one occurrence is:

(1) The limit shown in the Declarations for Inside the Premises or \$15,000, whichever is higher, for "money" and "securities" while:

(a) In or on the described premises; or

(b) Within a bank or savings institution; and

(2) The limit shown in the Declarations for Outside the Premises or \$10,000, whichever is higher, for "money" and "securities" while anywhere else.

3. Employee Dishonesty

Paragraph G.4.c. Employee Dishonesty, is deleted and replaced by the following:

c. The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Employee Dishonesty shown in the Declarations or \$10,000, whichever is higher.

4. ERISA

The following is added to G.4. Employee Dishonesty:

j. In compliance with certain provisions of the Employee Retirement Income Security Act (ERISA):

(1) Employee also includes any natural person who is:

(a) A trustee, an officer, employee, administrator or a manager, except an administrator or a manager who is an independent contractor, of any Employee Welfare or Pension Benefit Plan (hereafter called Plan) insured under this insurance, and

(b) Your director or trustee while that person is handling funds or other property of any Plan insured under this insurance.

(2) If any Plan is insured jointly with any other entity under this insurance, you or the Plan Administrator must obtain a Limit of Insurance for Employee Dishonesty Coverage that is sufficient to provide an amount of insurance for each Plan that is at least equal to that required if each Plan were separately insured.

(3) If the insured first named in the Declarations is an entity other than a Plan, any payment we make to that Insured for loss sustained by any Plan will be held by that Insured for the use and benefit of the Plan(s) sustaining the loss.

(4) If two or more Plans are insured under this insurance, any payment we make for loss:

(a) Sustained by two or more plans or

(b) Of commingled funds or other property of two or more Plans that arises out of one "occurrence", is to be shared by each Plan sustaining loss in the proportion that the amount of insurance required for each such Plan under ERISA provisions bears to the total of those amounts.

(5) The Deductible provision does not apply to loss sustained by any Plan subject to ERISA, which is insured under this insurance.

(6) Any Plan(s) administered by the Named Insured is considered a Named Insured under this Additional Coverage.

THE BUSINESSOWNERS LIABILITY COVERAGE FORM IS AMENDED AS FOLLOWS:

I. COVERAGE

A. Coverage Extension - Supplementary Payments

Section A.1.d.(2) Coverage Extension-Supplementary Payments is amended as follows:

(2) The limit for the cost of bail bonds is increased from \$250 to \$2000.

II. EXCLUSIONS

A. Non-Owned Watercraft

1. Section B.1.g., sub-paragraph (2)(a) is deleted and replaced by the following:

(2) A watercraft you do not own that is:

(a) Less than 51 feet long; and

2. Paragraph A.1. above applies to any person who, with your express or implied consent, either uses or is responsible for the use of a watercraft.

3. Paragraphs B.g.1.(2)(a) and (2)(b) do not apply if the insured has any other insurance for "bodily injury" or "property damage" liability that would also apply to loss covered under this provision, whether the other insurance is primary, excess, contingent or on any other basis. In that case, this Provision (2) does not provide any insurance.

(a) Paragraph A.3. above does not apply to a policy written to apply specifically in excess of this policy.

III. WHO IS AN INSURED

A. Incidental Malpractice Liability

1. Section C. WHO IS AN INSURED, Paragraph 2.a.(1)(d) is deleted and replaced by the following:

(d) Arising out of his or her providing or failing to provide professional health care services. However, if you have "employees":

- (i) Who are pharmacists in your retail druggist or drugstore operation; or
- (ii) Who are a nurse, emergency medical technician or paramedic;

They are insured with respect to their providing or failing to provide professional health care services; or

B. Broad Form Named Insured

1. Section C.2. WHO IS AN INSURED is amended to add:

d. Any organization or subsidiary thereof, other than a partnership, joint venture, or limited liability corporation, which is a legally incorporated entity of which you own a financial interest of more than 50 percent of the voting stock on the effective date of this endorsement.

(1) Coverage under this provision does not apply to injury or damage with respect to which an insured under this policy is also an insured under another policy or would be an insured under such policy but for its termination or upon the exhaustion of its limits of insurance.

(2) Coverage under this provision does not apply to a policy written to apply specifically in excess of this policy.

C. Newly Formed or Acquired Organizations

1. Section C.2. WHO IS AN INSURED is amended to add:

e. Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:

(1) Coverage under this provision is afforded only until the 180th day after you acquire or form the organization or the end of the policy period, whichever is earlier;

(2) No coverage under this provision applies to "bodily injury" or "property damage" that occurred before you acquired or formed the organization; and

(3) No coverage under this provision applies to "personal injury" or "advertising injury" arising out of an offense committed before you acquired or formed the organization.

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

D. Automatic Additional Insured

1. Section C.2. WHO IS AN INSURED is amended to add:

f. The **Managers or Lessors** of premises, but only with respect to the liability arising out of the ownership, maintenance or use of that part of the premises leased to you.

This insurance does not apply to:

a. Any "occurrence" that takes place after you cease to be a tenant in the premises.

b. Structural alterations, new construction or demolition operations performed by or for the manager or lessor of premises.

g. The **Mortgagee, Assignee or Receiver** of the premises is also an insured, but only with respect to the liability as mortgagee, assignee, or receiver and arising out of the ownership, maintenance, or use of the premises by you.

This insurance does not apply to structural alterations, new construction or demolition operations performed by or for the mortgagee, assignee, or receiver.

h. The **Lessor of Leased Equipment** is also an insured, but only with respect to the liability arising out of the maintenance, operation or use of the equipment leased to you by that person or organization.

This insurance does not apply:

a. Any "occurrence" which takes place after the equipment lease expires; or

b. "Bodily injury" or "property damage" arising out of the sole negligence of the lessor of the leased equipment.

IV. LIABILITY AND MEDICAL EXPENSE LIMITS OF INSURANCE

A. Aggregate Limits of Insurance Amendment

The Aggregate Limit under D.4. Liability and Medical Expenses Limit of Insurance, applies separately to each of you:

1. Projects away from premises owned by or rented to you;
2. "Locations" owned by or rented to you.

"Location" means premises involving the same or connecting lots, or premises whose connection is interrupted only by a street, roadway, waterway or right-of-way of a railroad.

V. LIABILITY AND MEDICAL EXPENSES GENERAL CONDITIONS

A. Duties in the Event of Occurrence, Offense, Claim or Suit Redefined

1. The requirement in Section E. LIABILITY AND MEDICAL EXPENSES GENERAL CONDITIONS, paragraph 2.a. that you must see to it that we are notified of an "occurrence" only applies when the "occurrence" or offense is known to:

- a. You, if you are an individual;
- b. A partner, if you are a partnership;
- c. A member or manager, if you are a limited liability company; or
- d. An officer of the corporation or insurance manager, if you are a corporation.

2. The requirement in Section E. LIABILITY AND MEDICAL EXPENSES GENERAL CONDITIONS, paragraph 2.b. that you must see to it that we receive notice of a claim or "suit" will not be considered breached unless the breach occurs after such claim or "suit" is known to:

- a. You, if you are an individual;
- b. A partner, if you are a partnership;
- c. A member or manager, if you are a limited liability company; or
- d. An officer of the corporation or insurance manager, if you are a corporation.

VI. LIABILITY AND MEDICAL EXPENSES DEFINITIONS

A. Bodily Injury Redefined

The definition of "bodily injury" in Section F.3. LIABILITY AND MEDICAL EXPENSES DEFINITIONS is deleted and replaced by the following:

3. "Bodily injury" means bodily injury, sickness or disease sustained by a person, including mental anguish or death resulting from any of these at any time.

VII. UNINTENTIONAL ERRORS OR OMISSIONS

We will not deny coverage under this Coverage Part because of the unintentional omission of, or unintentional error in, any information provided by you. However, this provision does not affect our right to collect additional premium or exercise our right of cancellation or non-renewal.


**PENN NATIONAL
INSURANCE**

Pennsylvania National Mutual Casualty Insurance Company
Penn National Security Insurance Company
P.O. Box 2361
Harrisburg, PA 17105-2361

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LIMITED FUNGI OR BACTERIA COVERAGE

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS SPECIAL PROPERTY COVERAGE FORM

SCHEDULE*

Revised Limit \$	15,000
Separate Premises Or Locations Option	YES <input type="checkbox"/> NO <input type="checkbox"/>
If YES, describe the separate premises or locations:	
Business Income/Extra Expense - Revised number of days	
*Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.	

A. Fungi Or Bacteria Exclusions

1. The following exclusions are added to Paragraph B.1. Exclusions:

(h) "Fungi", Wet Rot, Dry Rot And Bacteria

Presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot or bacteria.

But if "fungi", wet or dry rot or bacteria result in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

This exclusion does not apply:

- (1) When "fungi", wet or dry rot or bacteria result from fire or lightning; or
- (2) To the extent that coverage is provided in the Additional Coverage - Limited Coverage For "Fungi", Wet or Dry Rot and Bacteria (contained in the Limited Fungi or Bacteria Coverage) if any, with respect to loss or damage by a cause of loss other than fire or lightning.

- (i) Continuous or repeated seepage or leakage of water, or the presence of condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.

2. Paragraph B.2.k.(2) of the Exclusions is replaced by the following:

- (2) Rust or other corrosion, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;

B. Limited Fungi Or Bacteria Coverage

1. The following Additional Coverage is added to Paragraph A.5.

y. Limited Coverage for "Fungi", Wet Rot, Dry Rot And Bacteria

- (1) The coverage described in Paragraphs B.1.y.(2) and B.1.y.(6) only applies when the "fungi", wet or dry rot or bacteria are the result of a "specified cause of loss" other than fire or lightning that occurs during the policy period and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence.

(2) We will pay for loss or damage by "fungi", wet or dry rot or bacteria. As used in this Limited Coverage, the term loss or damage means:

- (a) Direct physical loss or damage to Covered Property caused by "fungi", wet or dry rot or bacteria, including the cost of removal of the "fungi", wet or dry rot or bacteria;
- (b) The cost to tear out and replace any part of the building or other property as needed to gain access to the "fungi", wet or dry rot or bacteria; and
- (c) The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "fungi", wet or dry rot or bacteria are present.

(3) Unless a higher limit is selected in Schedule, the coverage described under this Limited Coverage is limited to \$15,000. If the Schedule indicates that the Separate Premises Or Locations Options applies, then the amount of coverage is made applicable to separate premises or locations as described in the Schedule. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "specified causes of loss" (other than fire or lightning) which take place in a 12-month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungi", wet or dry rot or bacteria, we will not pay more than the total of \$15,000 unless a higher limit is selected in the Schedule even if the "fungi", wet or dry rot or bacteria continues to be present or active, or recurs, in a later policy period.

(4) The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungi", wet or dry rot or bacteria, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.

If there is covered loss or damage to Covered Property, not caused by "fungi", wet or dry rot or bacteria, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "fungi", wet or dry rot or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.

(5) The terms of this Limited Coverage do not increase or reduce the coverage provided under the Water Damage, Other Liquids, Powder Or Molten Material Damage or Collapse Additional Coverages.

(6) The following applies only if Business Income and/or Extra Expense Coverage applies to the described premises and only if the suspension of "operations" satisfies all the terms and conditions of the applicable Business Income and/or Extra Expense Additional Coverage.

- a. If the loss which resulted in "fungi", wet or dry rot or bacteria does not in itself necessitate a suspension of "operations", but such suspension is necessary due to loss or damage to property caused by "fungi", wet or dry rot or bacteria, then our payment under the Business Income and/or Extra Expense is limited to the amount of loss and/or expense sustained in a period of not more than 30 days unless another number of days is indicated in the Schedule. The days need not be consecutive.
- b. If a covered suspension of "operations" was caused by loss or damage other than "fungi", wet or dry rot or bacteria, but remediation of "fungi", wet or dry rot or bacteria prolongs the "period of restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the "period of restoration"), but such coverage is limited to 30 days unless another number of days is indicated in the Schedule. The days need not be consecutive.

C. Fungi Definition

1. The following definition is added to Paragraph H. Property Definitions:

- 11. "Fungi" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.



**PENN NATIONAL
INSURANCE**

Pennsylvania National Mutual Casualty Insurance Company
Penn National Security Insurance Company
P.O. Box 2361
Harrisburg, PA 17105-2361

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

FUNGI OR BACTERIA EXCLUSION (LIABILITY)

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS LIABILITY COVERAGE FORM

A. The following exclusion is added to Paragraph B.1., Exclusions - Applicable To Business Liability Coverage:

s. Fungi or Bacteria

- (1) "Bodily injury", "property damage" or "personal or advertising injury" which would not have occurred, in whole or in part, but for the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of, or presence of, any "fungi" or bacteria on or within a building or structure, including its contents, regardless of whether any other cause, event, material or product contributed concurrently or in any sequence to such injury or damage.

- (2) Any loss, cost or expenses arising out of the abating, testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, neutralizing, remediating or disposing of, or in any way responding to, or assessing the effects of, "fungi" or bacteria, by any insured or by any other person or entity.

This exclusion does not apply to any "fungi" or bacteria that are, are on, or are contained in, goods or products intended for consumption.

B. The following definition is added Paragraph F. Liability And Medical Expenses Definitions:

20. "Fungi" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents, or by-products produced or released by fungi.